

## CHAPTER 9

### CONTRACT DISCREPANCY REPORT

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#### **Introduction**

The purpose of this unit of instruction is to familiarize the student with the Contract Discrepancy Report (CDR). The COR/QAE may have to develop a CDR for the KO's signature to be presented to the contractor to take corrective action.

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#### **CDR**

The CDR is used by the COR/QAE to provide the contractor with the knowledge of a pending discrepancy. If a CDR is used, the KO, COR/QAE must permit the contractor to correct their discrepancy with no interference from the government. There is a short time period given to the contractor to cure their situation. If the contractor continues without correcting their discrepancy, the KO has the option of sending out a cure notice to further identify the problem. If cure notices do not resolve the problem, the KO may take further action if necessary. The KO, upon failure of the contractor, can terminate the contract if there is no resolution.

At anytime during the surveillance period if the number of unacceptable observations exceeds the performance requirements, and it is not government cause, the COR receives information from the QAE and formulates a CDR. The CDR is prepared and forwarded to the KO, who reviews the CDR and if appropriate, signs it and sends it to the contractor for action. The contractor must review, answer, and return the completed CDR to the KO within 15 calendar days of receipt. The final steps are the KO's evaluation, in deliberation with the COR and/or QAE, of the contractor's response and determination of appropriate action of the government to take against the contractor. KOs will involve the COR and QAE in discussions concerning proposed deductions. This is an effective way to preclude errors and potential problems.

For PRS items that are sampled by 100% or random sampling the primary action the KO takes is a reduction of the monthly payment to the contractor. If the deduction is the appropriate action the COR or QAE computes the payment deduction based on the performance period in which the unacceptable performance occurred. The deduction on the other hand is taken from the contractor's payment during the month the KO determined the action was appropriate. The rationale behind a reduction in payment is to compensate the contractor only for those services rendered in a satisfactory manner. There are other actions that the KO can take, depending upon the

circumstances; i.e., letters, cure notices, show cause notices, etc.

In the case of a CDR issued as the result of other methods of surveillance (that do not allow for deductions) the contracting officer in consultation with the COR or QAE shall take appropriate measures according to the clause entitled “Inspection of Services”.

There maybe some circumstances where the KO may determine that issuance of a CDR to the contractor is not appropriate. In those areas, the KO must document the contract file as to why the CDR was not issued and notify the appropriate key personnel, i.e. COR or QAE.

As mentioned earlier, the COR and/or QAE will be involved with the evaluation of a contractor’s response to a CDR, however, it is very important to remember that only the KO can initiate formal contractual action against the contractor. Remember, the COR and QAE only observe, report information on observations, and provide technical assistance to the contractor on behalf of the KO.

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**Procedures for a CDR**

The COR/QAE must give the contractor every opportunity to correct the situation without unduly delaying the contract. After annotating discrepancies on the COR/QAE worksheet and verbally advising the contractor that corrective action maybe still pending, the COR/QAE will formulate a CDR. Normally, the contractor is performing in an unsatisfactory manner at this point. The COR/QAE will fill in blocks 1 through 5 and have the KO sign the CDR in block 6 and date it in 7. The contractor will reply in the section marked “Contractor Action”, after which the KO will make a determination on “Government Close Out” action. The CDR will become a permanent part of the contract file.

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**Summary**

Care must be taken by the COR/QAE when using a CDR. In many cases, this is the first step in a termination process for a contractor. A decision must be made by the KO to support a decision to use a CDR.

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